

**Independent Auditor's Report
on the Financial Statements**

Chester Metropolitan District

as of and for the years ended June 30, 2022 and 2021

SCOTT  COMPANY

Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Required Supplementary Information: Management's Discussion and Analysis	4-8
Basic Financial Statements:	
Statements of Net Position	9-10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12-13
Notes to the Financial Statements	14-37
Required Supplementary Information:	
Schedule of the Chester Metropolitan District's Changes in Total OPEB Liability and Related Ratios - Other Postemployment Benefits	38
Schedule of the Chester Metropolitan District's Proportionate Share of the Net Pension Liability – South Carolina Retirement System	39
Schedule of the Chester Metropolitan District's Contributions – South Carolina Retirement System	40
Supplemental Information:	
Supplemental Schedule of Certain Expenses – Budget and Actual	41-43

Independent Auditor's Report

To the Board of Commissioners
Chester Metropolitan District
Chester, South Carolina

Opinion

We have audited the accompanying financial statements of Chester Metropolitan District (the "District") which comprise the statements of net position as of and for the years ended June 30, 2022 and 2021, and the statements of revenues, expenses, and changes in net position, and statements of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits, and pension information on pages 4 through 8 and 38 through 40, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of certain expenses – budget and actual, on pages 41 through 43, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Scott and Company LLC

Columbia, South Carolina
December 16, 2022

Required Supplementary Information

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Chester Metropolitan District's (the "District") annual financial report presents an analysis of the District's financial performance during the fiscal years ended June 30, 2022 and 2021. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$1,216,041 or 15 percent from \$7,856,449 to \$9,072,490. The increase was primarily due to increases in water connection fees and water service revenue mainly from increased rates.
- Operating expenses increased by \$272,838 or 4 percent from \$7,684,193 to \$7,957,031. The increase was primarily due to increases in salary and benefit cost, and additional information technology and meter supply cost.
- Operating revenues increased \$787,401 or 9 percent from \$8,528,284 to \$9,315,685.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statement of Net Position presents the financial position of the District at the end of the fiscal year. Net position is the difference between the sum of the assets and deferred outflows of resources, and the sum of liabilities and deferred inflows of resources. There are three components of net position: net investment in capital assets, unrestricted assets, and restricted assets. Net position is one indicator of the current financial condition of the District, while the change in net position is an indicator that the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses, and Changes in Net Position replaces the fund perspective with the entity-wide perspective. Revenues and expenses are categorized as operating or non-operating.

The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, and investing activities.

FINANCIAL ANALYSIS

STATEMENT OF NET POSITION:

Net position may serve over time as a useful indicator of an entity's financial position. During the fiscal year ended June 30, 2022, current and other assets (excludes capital and right of use assets) increased by \$1,516,554 or 13 percent. Contributing to the increase was the increase of cash and cash equivalents for an overall increase in total assets and deferred outflows of resources of \$1,307,907 or 5 percent. The increase of cash and cash equivalents was primarily due to increase in water connection fees and water service revenue. Net capital and right of use assets decreased by \$466,834 as depreciation exceeded acquisitions. Deferred outflows of resources increased by \$258,187 or 9 percent, primarily due to an increase in pension liability deferred outflows, based on change in proportionate share of net pension liability and change in actuarial assumptions on retirement plan.

Total liabilities reflect a decrease of \$1,681,018 or 9 percent. The decrease is primarily due to a decrease of pension liability, Other Post-Employment Benefits (OPEB) liability, and revenue bonds payable. Total liabilities and deferred inflows of resources increased by \$91,866. The increase is primarily attributable to the increase of investment experience for pension liability. Net position restricted for debt service increased approximately \$48,000, largely due to extra contribution to debt service cash.

The following schedule is prepared from the District's Statements of Net Position, on an accrual basis of accounting, and presented as condensed statements.

Condensed Statements of Net Position
June 30,

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current and other assets	\$ 13,379,204	\$ 11,862,650	\$ 1,516,554	13%
Capital and right of use assets, net	<u>11,802,657</u>	<u>12,269,491</u>	<u>(466,834)</u>	-4%
Total assets	<u>25,181,861</u>	<u>24,132,141</u>	<u>1,049,720</u>	4%
Deferred outflows of resources	<u>3,042,308</u>	<u>2,784,121</u>	<u>258,187</u>	9%
Total assets and deferred outflows of resources	<u>28,224,169</u>	<u>26,916,262</u>	<u>1,307,907</u>	5%
Current liabilities	1,406,432	1,381,451	24,981	2%
Non-current liabilities	<u>15,243,069</u>	<u>16,949,068</u>	<u>(1,705,999)</u>	-10%
Total liabilities	<u>16,649,501</u>	<u>18,330,519</u>	<u>,681,018)</u>	-9%
Deferred inflows of resources	<u>2,502,178</u>	<u>729,294</u>	<u>1,772,884</u>	243%
Total liabilities and deferred inflows of resources	<u>19,151,679</u>	<u>19,059,813</u>	<u>91,866</u>	0%
Net investment in capital assets	6,738,098	6,739,858	(1,760)	0%
Net position restricted for debt service	48,424	1,006	47,418	4714%
Unrestricted net position	<u>2,285,968</u>	<u>1,115,585</u>	<u>1,170,383</u>	105%
Total net position	<u>\$ 9,072,490</u>	<u>\$ 7,856,449</u>	<u>\$ 1,216,041</u>	15%

The Statement of Revenues, Expenses and Changes in Net Position presents and categorizes revenues earned and expenses incurred during the year by operating and non-operating. Generally, operating revenues and expenses are those received and used to carry out the mission of the District, although interest incomes from South Carolina are listed below as non-operating revenue.

The following schedule is prepared from the District's Statements of Revenues, Expenses and Changes in Net Position and presented as condensed statements.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the years ended June 30,**

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating revenues	\$ 9,315,685	\$ 8,528,284	\$ 787,401	9%
Non-operating revenues	23,846	19,798	4,048	20%
Total revenues	<u>9,339,531</u>	<u>8,548,082</u>	<u>791,449</u>	9%
Depreciation expense	1,018,625	995,854	22,771	2%
Other operating expenses	<u>6,938,406</u>	<u>6,688,339</u>	<u>250,067</u>	4%
Total operating expenses	7,957,031	7,684,193	272,838	4%
Interest expense	<u>166,459</u>	<u>178,572</u>	<u>(12,113)</u>	-7%
Total expenses	<u>8,123,490</u>	<u>7,862,765</u>	<u>260,725</u>	3%
Increase in net position	<u>\$ 1,216,041</u>	<u>\$ 685,317</u>	<u>\$ 530,724</u>	77%

REVENUES

The District's total revenues increased \$791,449 or 9 percent as compared to fiscal year end June 30, 2021.

- Operating revenue, or revenue received from the day-to-day activities of the District, increased 9 percent over last fiscal year. The primary source of increased revenue came from increase of water connection fees, and monthly utility billings mainly from increased rates.
- Non-operating revenue increased by \$4,048 or 20 percent. The District earned approximately 20 percent more in interest revenue over last fiscal year. The change is based on higher interest rates.

EXPENSES

- The District's total expenses in 2022 increased by \$260,725 or 3 percent compared to fiscal year end June 30, 2021. Operating expenses are the expenses necessary to perform the normal business operations and include, (but are not limited to) salaries, benefits, costs of supplies and materials, utilities and depreciation. Operating expenses, excluding depreciation, increased \$272,838 or 4 percent over last fiscal year. The increase was primarily due to increase in salary and benefit cost, and additional information technology and meter supply cost.

CAPITAL AND RIGHT OF USE ASSETS

The District's capital and right of use assets include land and land rights, construction in progress, structures and distribution lines, equipment, vehicles and buildings. Additions to the District's net capital and right of use assets during fiscal year 2022 totaled \$580,655, a decrease of \$270,073 compared to fiscal year 2021. The funding sources are listed below:

Federal Grant	\$ 128,026
Operating Revenue	295,322
Capital Fee	133,439
Donation	23,868
	<u>\$ 580,655</u>

Additional information on the District's capital and right of use assets may be found in Note 4 in the Notes to the Financial Statements.

OUTSTANDING DEBT

The District uses a combination of debt and pay as you go financing to fund capital improvements.

As of June 30, 2022, the District had \$5,064,559 in outstanding debt compared to \$5,529,633 at June 30, 2021. The outstanding debt includes a \$4.795 million 2017 Series Revenue Bond, a \$183,764 premium on bonds payable, and a \$85,795 finance lease. The bonds were issued to redeem the 2016 BAN, redeem the 2009 bond, and to defray costs of projects necessary to the operation of the District. The bond was refunded to reduce total debt service payments by approximately \$108,000 and to obtain an economic gain of approximately \$112,000. Under the most restrictive provisions of the revenue bond agreements, the District is required to maintain net earnings (as defined in the agreement) of at least one hundred twenty percent of the total annual principal and interest requirements for all series of bonds outstanding during the fiscal year. As of June 30, 2022, and June 30, 2021 the District was in compliance with this covenant with a coverage ratio of 4.4 and 4.1, respectively. Utilities are encouraged to keep a coverage ratio of 1.5 or higher.

Additional information on the District's long-term debt may be found in Note 5 in the Notes to the Financial Statements.

ECONOMIC FACTORS

Walker's Mill, a new subdivision containing 305 residential lots, began construction in 2019. Construction on-site ceased in early 2020 due to the presence of rock making the project unfeasible for development at this time. Construction resumed in mid-2021 and will consist of 280 single-family homes and will be served by Chester Metropolitan District.

Knight's Bridge, a new subdivision containing 292 residential lots, began construction in mid-September 2020. Water and sewer was completed in 4th quarter 2021. Residential construction will begin in early 2022 and will consist of 265 single-family homes and will be served by Chester Metropolitan District.

Village Drive Subdivision, a proposed residential development, contains 266 single-family homes, 215 multi-family units, and commercial business space. The project schedule is unknown. The development will be served by Chester Metropolitan.

Winchester, a proposed residential subdivision containing 1150 single-family homes was recently approved by the Chester County Zoning Board. The project schedule is unknown. The development will be served by Chester Metropolitan District.

Stanton, a proposed planned development was recently approved by the Chester County Zoning Board. The project will consist of 180 low-density lots, 520 medium-density lots, 200 townhomes, and 240 multi-family apartments, and commercial business space. The project schedule is unknown. The development will be served by Chester Metropolitan District.

On June 15, 2021, Ernest and Julio Gallo Winery announced they will be constructing a new east coast operation in Fort Lawn, South Carolina. The operation will be \$423 million in capital investment and will create 496 new full-time jobs. Phase 1A production is proposed to begin in 2022 with a 200,000 gal/day water demand. Phase 1B production is proposed to begin in 2023 with a 400,000 gal/day water demand. Phase 1C production is proposed to begin in 2024 with a 600,000 gal/day water demand.

Chart Industries, Inc., a global manufacturer of highly engineered cryogenic equipment, has constructed a facility in Chester County to provide repair, service, and leasing of cryogenic equipment on the East Coast. Chart Industries is located in the Chester County Research and Development Park along SC Route 99 near Great Falls. The facility opened during the Summer of 2021.

Last Step Recycling, a materials recycling company, is constructing a new facility in Chester County in the Chester Technology Park near York Technical College. The operation will bring 46 million in capital investment and will create 50 new full-time jobs. The facility is scheduled to open in the Fall of 2022.

There has been continuous interest in Chester County from industrial clients and land developers during 2022. Chester Metropolitan District works closely with Chester County Economic Development to promote growth through utility services. We expect the interest from industrial clients and developers to continue long into the future.

ADDITIONAL FINANCIAL INFORMATION

Economic Factors and Next Year's Budget and Rates – The Board of Directors has adopted the District's budget for the year ended June 30, 2023. The approval of the budget provides funding for the District's operating and debt service costs for the year end June 30, 2023. The District's water rates are reviewed by management and the Board of Commissioners on an annual basis.

This financial report is designed to provide the District's customers and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in the report or wish to request additional information, please contact the Chester Metropolitan District at PO Box 550, Chester, South Carolina, 29706.

Basic Financial Statements

Chester Metropolitan District
Statements of Net Position
June 30,

	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents	\$ 11,629,309	\$ 10,220,799
Customer receivables, net of allowance of \$203,065 and \$193,917 for 2022 and 2021, respectively	321,705	382,798
Unbilled revenue	537,638	522,323
Prepaid expenses	127,369	106,782
Inventories	427,100	349,108
Total current assets	13,043,121	11,581,810
Cash and cash equivalents, restricted	48,424	1,006
Cash surrender value of life insurance	287,659	279,834
Right of use asset, net of accumulated amortization	74,349	96,413
Capital assets, net of accumulated depreciation	11,728,308	12,173,078
Total assets	25,181,861	24,132,141
Deferred outflows of resources:		
Contributions to retirement plan after measurement date	455,176	394,526
Difference between expected and actual retirement plan experience	83,402	63,971
Difference between projected and actual investment experience	360,938	407,808
Change in proportionate share of net pension liability	177,878	58,438
Change in actuarial assumptions on retirement plan	268,004	6,792
Contributions to OPEB after measurement date	411,432	388,367
Difference between expected and actual OPEB experience	14,405	17,216
Change in actuarial assumptions on OPEB	1,263,959	1,436,332
Deferred loss on bond refunding	7,114	10,671
Total deferred outflows of resources	3,042,308	2,784,121
Total assets and deferred outflows of resources	28,224,169	26,916,262

The accompanying notes are an integral part of these financial statements.

Chester Metropolitan District
Statements of Net Position (Continued)
June 30,

	2022	2021
Liabilities:		
Current liabilities:		
Current maturities of revenue bonds payable	430,000	415,000
Current maturities of finance lease payable	37,674	36,947
Accounts payable	269,666	270,470
Other liabilities	13,150	26,713
Accrued interest payable	12,452	13,490
Accrued payroll and related liabilities	98,327	125,090
Customer service deposits	361,546	346,493
Accrued compensated absences, current	183,617	147,248
Total current liabilities	1,406,432	1,381,451
Accrued compensated absences, net of current portion	58,888	102,930
Revenue bonds payable, net of current maturities	4,548,764	4,991,890
Finance lease payable, net of current portion	48,121	85,796
OPEB liability	5,691,064	6,224,444
Net pension liability	4,896,232	5,544,008
Total liabilities	16,649,501	18,330,519
Deferred inflows of resources:		
Difference between expected and actual retirement plan experience	6,608	20,964
Difference between projected and actual investment experience	1,072,181	-
Difference between expected and actual OPEB experience	800,706	216,472
Change in proportionate share of pension liability	20,478	30,800
Change in actuarial assumptions on OPEB	602,205	461,058
Total deferred inflows of resources	2,502,178	729,294
Total liabilities and deferred inflows of resources	19,151,679	19,059,813
Net position:		
Net investment in capital assets	6,738,098	6,739,858
Restricted for debt service	48,424	1,006
Unrestricted	2,285,968	1,115,585
Total net position	\$ 9,072,490	\$ 7,856,449

The accompanying notes are an integral part of these financial statements.

Chester Metropolitan District
 Statements of Revenues, Expenses, and Changes in Net Position
 for the years ended June 30,

	2022	2021
Operating revenues:		
Water service	\$ 8,214,123	\$ 7,433,388
Expense reimbursements, related party	272,521	244,353
Capital recovery fees	56,085	362,591
Penalties	78,201	65,193
Water connection fees	411,613	82,917
Non-payment fees	132,705	140,085
Gain on sale of assets	9,208	10,276
Miscellaneous	141,229	189,481
Total operating revenues	9,315,685	8,528,284
Operating expenses:		
Filter and sludge division	1,895,720	1,641,806
Distribution	1,391,708	1,164,284
Administration and general	2,737,278	2,908,169
Depreciation and amortization	1,018,625	995,854
Meters	501,592	421,183
Engineering	383,244	343,175
Loss on disposal of assets	28,864	209,722
Total operating expenses	7,957,031	7,684,193
Operating income	1,358,654	844,091
Non-operating income (expenses):		
Interest income	23,846	19,798
Interest expense	(166,459)	(178,572)
Total non-operating expenses, net	(142,613)	(158,774)
Increase in net position	1,216,041	685,317
Net position, at beginning of year	7,856,449	7,171,132
Net position, at end of year	\$ 9,072,490	\$ 7,856,449

The accompanying notes are an integral part of these financial statements.

Chester Metropolitan District
Statements of Cash Flows
for the years ended June 30,

	2022	2021
Cash flows from operating activities:		
Cash received from customers and others	\$ 9,367,308	\$ 8,528,548
Cash paid to employees	(2,901,080)	(2,599,157)
Cash paid to suppliers	(3,844,292)	(3,296,419)
Net cash provided by operating activities	2,621,936	2,632,972
Cash flows used in capital and related financing activities:		
Acquisition and construction of capital assets	(580,655)	(850,728)
Principal payments on revenue bonds	(415,000)	(405,000)
Proceeds from finance lease	-	150,000
Principal payments on finance lease	(36,948)	(27,257)
Interest paid	(166,459)	(178,572)
Net cash used in capital and related financing activities	(1,199,062)	(1,311,557)
Cash flows provided by investing activities:		
Proceeds from sale of capital assets	9,208	10,276
Interest income	23,846	19,798
Net cash provided by investing activities	33,054	30,074
Net increase in cash and cash equivalents	1,455,928	1,351,489
Cash and cash equivalents at beginning of year	10,221,805	8,870,316
Cash and cash equivalents at end of year	\$ 11,677,733	\$ 10,221,805

The accompanying notes are an integral part of these financial statements.

Chester Metropolitan District
Statements of Cash Flows (Continued)
for the years ended June 30,

	2022	2021
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,358,654	\$ 844,091
Adjustments to reconcile net operating income to net cash provided		
by operating activities:		
Depreciation	996,561	981,947
Amortization	25,621	17,465
Increase in cash surrender value of life insurance	(7,825)	(11,290)
Bad debt expense	18,310	1,061
Change in assets and liabilities:		
Customer receivables	42,783	(59,685)
Unbilled revenue	(15,315)	(21,197)
Due from related party	-	29,275
Prepaid expenses	(20,587)	(18,652)
Inventories	(77,992)	(27,576)
Deferred outflows of resources	(261,744)	(1,541,643)
Accounts payable	(804)	24,506
Accrued interest payable	(1,038)	(1,012)
Accrued expenses	(26,763)	(34,460)
Compensated absences	(7,673)	(7,447)
Customer service deposits	15,053	61,086
Other liabilities	(13,563)	1,361
Bond premium	(13,126)	(13,126)
Net pension liability	(647,776)	547,697
OPEB liability	(533,380)	1,756,988
Deferred inflows of resources	1,772,884	(95,863)
Gain on sale of assets	(9,208)	(10,276)
Loss on disposal of capital assets	28,864	209,722
Total adjustments	1,263,282	1,788,881
Net cash provided by operating activities	\$ 2,621,936	\$ 2,632,972

A reconciliation of cash and cash equivalents reflected in the statements of cash flows to the statements of net position are as follows:

	Current assets	Restricted assets	Statements of Cash Flows
Cash and cash equivalents, June 30, 2020	\$ 8,147,828	\$ 722,488	\$ 8,870,316
Net increase (decrease)	2,072,971	(721,482)	1,351,489
Cash and cash equivalents, June 30, 2021	10,220,799	1,006	10,221,805
Net increase	1,408,510	47,418	1,455,928
Cash and cash equivalents, June 30, 2022	\$ 11,629,309	\$ 48,424	\$ 11,677,733

The accompanying notes are an integral part of these financial statements.

Chester Metropolitan District
Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization and Basis of Accounting – Chester Metropolitan District (the “District”) was created in 1959 pursuant to Act Number 379 of the Acts of the General Assembly of the State of South Carolina. The District's principal purpose is to provide filtered water in substantial quantities in and throughout the area of Chester County.

The District operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. The District is directed by a governing board whose members (9) are appointed by the County and town governments serviced by the District.

The District uses the accrual basis of accounting and the economic resources measurement focus for reporting. The accrual basis of accounting recognizes revenue when earned, regardless of when received. Expenses are recorded when incurred, regardless of when paid.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Accounting Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include the estimated useful lives of property and equipment and the actuarially calculated net pension and other post-employment benefit (“OPEB”) liabilities. Management is not aware of any condition that would affect those estimates in the near term.

Cash and Cash Equivalents – For purposes of reporting cash flows in the financial statements, all demand deposits and highly liquid debt instruments (including restricted assets) purchased with an initial maturity of three months or less are considered to be cash equivalents.

Customer Receivables – Customer receivables are obligations due under billing cycles and each customer is required to remit a deposit before service is activated. The District's accounts receivable are due from residential and industrial customers.

Allowance for Doubtful Accounts – An allowance for possible credit losses is recorded and reduces the carrying value of accounts receivable to its net realizable value. The amount of the reserve is based upon management's estimate of currently uncollectible accounts, historical trends, current economic trends, and other factors. Provisions to increase or decrease the allowance are charged to operations. Account balances are written off when collection efforts are deemed ineffective. The allowance for doubtful accounts was approximately \$203,000 and \$193,900 at June 30, 2022 and 2021, respectively.

Fair Value Measurements – The District values its assets and liabilities based on the guidance contained in the fair value topic of the FASB Codification which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Codification also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Chester Metropolitan District
Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

At June 30, 2022 and 2021, all of the District's investments are cash surrender values of life insurance policies with maturities through 2027. Cash surrender values of life insurance are reported at cost plus interest earned which approximates fair value; therefore, those assets are reported as Level 2 in the fair value hierarchy.

Unbilled Revenue – The District renders bills to customers on billing cycles that end on various days throughout the month. Unbilled revenue represents the portion of bills rendered during the month of July applicable to service provided in June.

Cash Surrender Value of Life Insurance - The District has a life insurance policy on its former executive director and it had a cash surrender value of approximately \$288,000 and \$280,000 at June 30, 2022 and 2021, respectively. The death benefit of the policy at June 30, 2022 and 2021, was approximately \$570,000 and \$598,000, respectively.

Inventories – Inventories consist principally of maintenance parts and supplies valued at average cost.

Restricted Assets Not Available for Current Operations – In accordance with revenue bond provisions and loan requirements, revenues have been set aside in special funds for specified purposes. The assets in these accounts are shown as restricted assets on the statements of net position.

Capital Assets – Property constructed or purchased is stated at cost. Contributed property is stated at estimated fair market value on the date received. Interest is capitalized on significant long-term construction projects and is depreciated over the useful life of the related asset. Depreciation is computed over the assets' estimated useful lives using the straight-line method at the following rates: structures and distribution lines 2%-4%; buildings 3%-11%; equipment 10%-20%; and vehicles 20%.

When property, plant, and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the statements of revenues, expenses, and changes in net position.

Chester Metropolitan District
Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Right to Use Leased Assets – Right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Compensated Absences – Vacations accrue based on years of service with the District. Only full-time employees are eligible for paid vacations. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination.

Deferred inflows/outflows of resources – GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* requires that the statement of net position provide separate sections for deferred inflows and outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Employer contributions made subsequent to the measurement date of the net pension liability and net OPEB liability are reported as deferred outflows of resources. The District's deferred outflows of resources are also determined by the difference between expected and actual liability experience, difference between projected and actual investment earnings, change in proportionate share of net pension liability, changes in actuarial assumptions on the retirement plan and OPEB, and loss on bond refunding.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources include the difference between expected and actual retirement plan and OPEB experience and changes in actuarial assumptions on the OPEB plan.

Net Position – The District reports the following classifications of net position:

Net investment in capital assets: This represents the District's total investment in capital assets, net of outstanding debt obligations, if any, related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position: Restricted net position consists of assets with constraints placed on the use of those assets either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position: Unrestricted net position represents the remainder of the District's liabilities in excess of assets excluding net position reported in other categories.

When the District incurs an expense that may be paid from unrestricted or restricted funds, the District first uses restricted funds as allowed by legal or contractual requirements.

Chester Metropolitan District
Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Recently Implemented GASB Standards – GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District implemented this standard for the year ending June 30, 2022. GASB No. 87 requires retrospective application. The effects of this standard also added additional disclosures and updated verbiage throughout the financial statements. Reclassifications have been made to the prior year Statement of Net Position, Statement of Cash Flows, and Note 4, for the year ended June 30, 2021, to separate out the right of use assets and related amortization, and capital leases are now referred to as finance leases.

Note 2. Deposits and Investments

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's policy regarding custodial credit risk related to deposits is that management monitors the amounts deposited that have exceeded the FDIC insurance of \$250,000. Any overages are then collateralized with the financial institution to avoid exposure. The District deposits its funds in high quality and very large institutions, and also considers shifting funds from one financial institution to another when funds greatly exceed the FDIC insurance coverage.

The bank balances for deposits of the District at June 30, 2022 and 2021, were approximately \$11,819,000 and \$10,187,000, respectively. As of June 30, 2022, none of the District's bank balances were uninsured and uncollateralized. The District did not recognize any losses in either reporting period due to default by counterparties.

Restricted cash and cash equivalents includes approximately \$48,000 and \$1,000 at June 30, 2022 and 2021, respectively, held for debt service and capital expenditures.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of failure of counterparty, the District will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The District's policy regarding custodial credit risk for investments is that all investments are collateralized by highly stable and low risk debt securities. The District monitors its investments periodically to ensure that the collateral exceeds the market value of investments.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy regarding credit risk of investments is that it only uses high quality brokers and financial institutions to manage its investment portfolios. In addition, the District's investments are not subject to credit risk as they are fully collateralized. Therefore, the disclosure of quality ratings on rated debt investments is not applicable to the District.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy regarding concentration of credit risk of investments is that it only uses high quality brokers and financial institutions to manage its investment portfolios, as noted above.

Chester Metropolitan District
Notes to the Financial Statements

Note 2. Deposits and Investments (continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The District does not have a formal policy related to interest rate risk as it applies to its investments.

External Investment Pool – The District has funds invested in the South Carolina Local Government Investment Pool (the “Pool”). These funds total approximately \$3,178,000 and \$3,167,000 at June 30, 2022 and 2021, respectively, and are included in cash and cash equivalents on the statements of net position. The Pool is under the regulatory oversight of the South Carolina State Treasurer’s Office and the fair value of the District’s funds in the Pool is the same as the value of the Pool shares as allocated to the District.

More information pertaining to carrying amounts, fair value, credit and other risks as required by Governmental Accounting Standards Board Statement No. 40, *Deposits and Investments – Risk Disclosures*, of the State Treasurer’s investments are disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. The financial statements for the Pool can be obtained from <http://osa.sc.gov/Pages/default.aspx>.

The following schedule reconciles cash and investments as reported on the Statements of Net Position to the footnote disclosure provided for deposits and investments, as of June 30:

Statements of Net Position:	2022	2021
Cash and cash equivalents	\$ 11,629,309	\$ 10,220,799
Restricted assets:		
Cash and cash equivalents	48,424	1,006
Total cash and investments	\$ 11,677,733	\$ 10,221,805
Disclosure: Deposits and Investments	2022	2021
Carrying value of deposits:		
Held by a financial institution	\$ 8,499,818	\$ 7,054,702
SC State Treasurer	3,177,915	3,167,103
Total deposits and investments	\$ 11,677,733	\$ 10,221,805

Note 3. Assets Restricted by Revenue Bond Covenants

In connection with outstanding revenue bonds, (1) the District's net earnings (defined as the portion of revenues remaining after providing for the proper operation and maintenance of facilities) are pledged for payment of bond principal and interest, and (2) a statutory lien on the District's facilities exists.

The assets of the Revenue Bond Debt Service Funds (“Debt Service Funds”) are to be used for the redemption of bonds and payment of interest on the bonds.

Chester Metropolitan District
Notes to the Financial Statements

Note 3. Assets Restricted by Revenue Bond Covenants (continued)

Additions to the Debt Service Funds are required from operating funds in amounts equal to the annual principal and interest payments. Additions to the Reserve Funds are from operating funds when the Reserve Funds assets are less than the sum of the largest annual debt service payment for each issue of revenue bonds outstanding. When the assets of the Reserve Funds exceed the requirements, the District is permitted to use the Reserve Funds investment income for principal and interest payments and thereby reduce the amount of operating funds required to be transferred to the Debt Service Fund.

Restricted funds and restricted net position at June 30 summarized by fund are:	<u>2022</u>		<u>2021</u>
Cash and cash equivalents held by Trustee:			
Revenue bonds:			
2017 Debt Service Fund	\$ 48,424		\$ 1,016
	<u>48,424</u>		<u>1,016</u>
Total assets restricted by revenue bond covenants			
Capital fee fund	-		(10)
Total restricted net position	<u>\$ 48,424</u>		<u>\$ 1,006</u>

Note 4. Capital Assets and Right to Use Leased Assets

A summary of changes in capital assets for the year ended June 30, 2022, as follows:

	<u>Balance, July 1, 2021</u>	<u>Additions</u>	<u>Disposals & Adjustments</u>	<u>Balance, June 30, 2022</u>
Capital assets not being depreciated:				
Land and land rights	\$ 1,255,918	\$ -	\$ (4,250)	\$ 1,251,668
Construction in progress	445,453	261,465	-	706,918
Other capital assets:				
Structures and distribution lines	24,764,407	111,690	(45,585)	24,830,512
Equipment	2,765,450	114,960	(269,746)	2,610,664
Vehicles	706,776	56,186	(29,595)	733,367
Buildings and building improvements	4,869,077	36,354	(18,615)	4,886,816
	<u>34,807,081</u>	<u>580,655</u>	<u>(367,791)</u>	<u>35,019,945</u>
Less accumulated depreciation	<u>(22,634,003)</u>	<u>(996,561)</u>	<u>338,927</u>	<u>(23,291,637)</u>
Capital assets, net	<u>\$ 12,173,078</u>	<u>\$ (415,906)</u>	<u>\$ (28,864)</u>	<u>\$ 11,728,308</u>

Chester Metropolitan District
Notes to the Financial Statements

Note 4. Capital Assets and Right to Use Leased Assets (continued)

A summary of changes in capital assets for the year ended June 30, 2021, as follows:

	Balance, July 1, 2020	Additions	Disposals & Adjustments	Balance, June 30, 2021
Capital assets not being depreciated:				
Land and land rights	\$ 1,256,618	\$ -	\$ (700)	\$ 1,255,918
Construction in progress	-	445,453	-	445,453
Other capital assets:				
Structures and distribution lines	26,304,320	182,181	(1,722,094)	24,764,407
Equipment	2,895,045	67,587	(197,182)	2,765,450
Vehicles	724,093	518	(17,835)	706,776
Buildings and building improvements	4,874,244	44,669	(49,836)	4,869,077
	<u>36,054,320</u>	<u>740,408</u>	<u>(1,987,647)</u>	<u>34,807,081</u>
Less accumulated depreciation	<u>(23,429,981)</u>	<u>(981,947)</u>	<u>1,777,925</u>	<u>(22,634,003)</u>
Capital assets, net	<u>\$ 12,624,339</u>	<u>\$ (241,539)</u>	<u>\$ (209,722)</u>	<u>\$ 12,173,078</u>

Depreciation expense was approximately \$997,000 and \$982,000 for the years ended June 30, 2022 and 2021, respectively.

The District has recorded a right to use leased asset for leased vehicles. For further details, see Note 5.

A summary of changes in right to use assets for the year ended June 30, 2022, as follows:

	Balance, July 1, 2021	Additions	Disposals & Adjustments	Balance, June 30, 2022
Right to use assets, being amortized:				
Leased vehicles	\$ 110,320	\$ -	\$ -	\$ 110,320
Less accumulated amortization	<u>(13,907)</u>	<u>(22,064)</u>	<u>-</u>	<u>(35,971)</u>
Right to use assets, net	<u>\$ 96,413</u>	<u>\$ (22,064)</u>	<u>\$ -</u>	<u>\$ 74,349</u>

A summary of changes in right to use assets for the year ended June 30, 2021, as follows:

	Balance, July 1, 2020	Additions	Disposals & Adjustments	Balance, June 30, 2021
Right to use assets, being amortized:				
Leased vehicles	\$ -	\$ 110,320	\$ -	\$ 110,320
Less accumulated amortization	<u>-</u>	<u>(13,907)</u>	<u>-</u>	<u>(13,907)</u>
Right to use assets, net	<u>\$ -</u>	<u>\$ 96,413</u>	<u>\$ -</u>	<u>\$ 96,413</u>

Chester Metropolitan District
Notes to the Financial Statements

Note 5. Financing Arrangements

Revenue Bonds Payable

In March of 2017, the District issued the Waterworks System Improvement and Refunding Revenue Bonds, Series 2017 with a par amount of \$6,755,000. Premiums recorded during the fiscal year totaled approximately \$210,000. The proceeds of the bonds were used to defease the Series 2009 Bonds (\$2,517,122). The interest rate on the 2017 Series Bonds is 3.00 percent from 2017 through 2032, 3.25 percent in 2033 and 2034, and 3.50 percent in 2035 and 2036, with a term of 20 years maturing on June 1, 2036. The bonds were refunded to reduce total debt service payments by approximately \$108,000 and to obtain an economic gain of approximately \$112,000.

Optional Redemption. The Series 2017 Bonds maturing on or after June 1, 2028 are subject to redemption prior to maturity, at the option of the District on and after June 1, 2027, in whole or in part at any time, upon 30 days' notice, in such manner as will be determined by the District, and by lot (or by such depository transfer check procedure as is customary if the Book-Entry-Only System is still in effect) within a maturity at par, plus accrued interest to the redemption date.

Mandatory Redemption. The Series 2017 Bonds maturing on June 1, 2034 are subject to mandatory sinking fund redemption (to the extent not previously redeemed) at a redemption price of 100% of such principal amount, plus interest to the redemption date, on June 1 of each of the following years in the respective principal amounts for each year specified below:

Year	Amount
2033	\$350,000
2034*	\$360,000

* Final Maturity.

The Series 2017 Bonds maturing on June 1, 2036 are subject to mandatory sinking fund redemption (to the extent not previously redeemed) at a redemption price of 100% of such principal amount, plus interest to the redemption date, on June 1 of each of the following years in the respective principal amounts for each year specified below:

Year	Amount
2035	\$375,000
2036*	\$385,000

* Final Maturity.

The amount of any mandatory sinking fund redemption will be reduced to the extent the Series 2017 Bonds of the applicable maturity have been purchased by the District or redeemed by the District pursuant to any optional redemption provisions, in such manner as the District will direct. The bonds are payable solely from and secured by a pledge of and lien upon the gross revenues of the District. The bond has an insurance policy that would pay the principal and interest due in the event of default. Insurance premiums may increase if default occurs.

Chester Metropolitan District
Notes to the Financial Statements

Note 5. Financing Arrangements (continued)

Revenue Bonds Payable (continued)

Maturities of revenue bonds are summarized as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2023	\$ 149,425	\$ 430,000	\$ 579,425
2024	136,525	440,000	576,525
2025	123,325	275,000	398,325
2026	115,075	285,000	400,075
2027	106,525	295,000	401,525
2028-2032	395,375	1,600,000	1,995,375
2033-2036	128,050	1,470,000	1,598,050
	<u>\$ 1,154,300</u>	<u>\$ 4,795,000</u>	<u>\$ 5,949,300</u>

Interest expense related to the revenue bonds was approximately \$164,000 and \$177,000 for the years ended June 30, 2022 and 2021, respectively.

Per the bond agreement, annual net earnings must equal at least 120% of annual principal and interest requirements. Net earnings includes gross revenues less operation and maintenance expenses, excluding certain expenses as defined in the agreement. The District is in compliance with this debt covenant at June 30, 2022.

Finance Lease Payable

The District entered into a lease purchase contract for \$150,000 to finance the acquisition of four vehicles during the year ended June 30, 2021. The terms of the lease were 48 months at the bank qualified rate of 1.95%. Vehicles were reported at cost at purchase for a total of approximately \$110,000, with related amortization of approximately \$22,000 and \$14,000 during the years ended June 30, 2022 and 2021, respectively. The vehicles under the contract will be available for purchase at the end of the lease term or after all payments have been made. There are no variable payment components of the lease.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Interest	Principal	Total
2023	\$ 1,338	\$ 37,674	\$ 39,012
2024	597	38,415	39,012
2025	32	9,706	9,738
	<u>\$ 1,967</u>	<u>\$ 85,795</u>	<u>\$ 87,762</u>

Interest expense related to the lease was approximately \$2,000 for the years ended June 30, 2022 and 2021.

Chester Metropolitan District
Notes to the Financial Statements

Note 5. Financing Arrangements (continued)

Finance Lease Payable (continued)

A summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	Balance, July 1, 2021	Additions	Reductions	Balance, June 30, 2022	Due within one year
Series 2017					
Revenue					
Bonds	\$ 5,210,000	\$ -	\$ 415,000	\$ 4,795,000	\$ 430,000
Premium on					
Bonds	196,890	-	13,126	183,764	13,126
Finance Lease					
Payable	122,743	-	36,948	85,795	37,674
Net Pension					
Liability	5,544,008	-	647,776	4,896,232	-
OPEB Liability	6,224,444	-	533,380	5,691,064	-
Compensated					
Absences	250,178	175,944	183,617	242,505	183,617
	<u>\$ 17,548,263</u>	<u>\$ 175,944</u>	<u>\$ 1,829,847</u>	<u>\$ 15,894,360</u>	<u>\$ 664,417</u>

Note 6. Pension Plan

The South Carolina Public Employee Benefit Authority (“PEBA”), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (“Systems”) and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (“GAAP”). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues an Annual Comprehensive Financial Report (“ACFR”) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

Plan Descriptions

- The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees, teachers, and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- The District does not participate in the State Optional Retirement Program (“State ORP”) or the Police Officers Retirement System (“PORS”).

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the State Fiscal Accountability Authority for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the Authority may not provide for an increase of more than one-half of one percent in any one year.

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

Contributions (continued)

If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Authority are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Authority shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates are as follows:

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%

Required employer contribution rates¹ are as follows:

SCRS		
Employer Class Two	16.41%	15.41%
Employer Class Three	16.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of June 30, 2019.

The June 30, 2021, total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on the actuarial valuation performed as of July 1, 2020. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ended June 30, 2021, using generally accepted actuarial principles.

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

The following provides a summary of the actuarial assumptions and methods used in the June 30, 2021, valuations for SCRS.

	SCRS
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases	3.0% to 11.0% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table ("2020 PRSC") was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020. Assumptions used in the June 30, 2021 valuations for SCRS are as follows:

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2021 and 2020, for SCRS are presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
SCRS - 2021	\$55,131,579,363	\$33,490,305,970	\$ 21,641,273,393	60.7%
SCRS - 2020	\$51,844,187,763	\$26,292,418,682	\$ 25,551,769,081	50.7%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements. The District's net pension liability at June 30, 2022 was \$4,896,232.

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

Net Pension Liability (continued)

The District's proportionate share of the net pension liability for SCRS is as follows for the years ended June 30, 2021 and 2020:

System	June 30, 2022	June 30, 2021	Change
SCRS	0.022625%	0.021697%	0.000928%

The District's change in proportionate share of the net pension liability and related deferred inflows and outflows of the resources will be amortized into pension expense over the respective average remaining service lives of the system.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon the 20 year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

The long term expected portfolio real rate of return based on the 2021 measurement date is shown below:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.87%	3.16%
Bonds	26.0	0.27%	0.07%
Private Equity	9.0	9.68%	0.87%
Private Debt	7.0	5.47%	0.39%
Real Assets	12.0		
Real Estate	9.0	6.01	0.54
Infrastructure	3.0	5.08	0.15
Total Expected Real Return	<u>100.0%</u>		<u>5.18</u>
Inflation for Actuarial Purposes			<u>2.25</u>
Total Expected Nominal Return			<u><u>7.43%</u></u>

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

The long term expected portfolio real rate of return based on the 2020 measurement date is shown below:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity	35.0	7.81%	2.73%
Private Equity	9.0	8.91	0.80
Equity Options Strategies	7.0	5.09	0.36
Real Assets	12.0		
Real Estate (Private)	8.0	5.55	0.44
Real Estate (REITs)	1.0	7.78	0.08
Infrastructure (Private)	2.0	4.88	0.10
Infrastructure (Public)	1.0	7.05	0.07
Opportunistic	8.0		
GTAA/Risk Parity	7.0	3.56	0.25
Other Opportunistic Strategies	1.0	4.41	0.04
Diversified Credit	15.0		
Mixed Credit	4.0	4.21	0.17
Emerging Markets Debt	4.0	3.44	0.14
Private Debt	7.0	5.79	0.40
Conservative Fixed Income	14.0		
Core Fixed Income	13.0	1.60	0.21
Cash and Short Duration (Net)	1.0	0.56	0.01
Total Expected Real Return	<u>100.0%</u>		<u>5.80</u>
Inflation for Actuarial Purposes			<u>2.25</u>
Total Expected Nominal Return			<u>8.05%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the Fund's proportional share of the collective net pension liability of the participating employers calculated using the discount rate of 7 percent, as well as what the Fund's proportional share of the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

The sensitivity analyses for the measurement dates June 30, 2021 and June 30, 2020 are below:

2021 Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
SCRS	\$ 6,413,455	\$ 4,896,232	\$ 3,635,107

2020 Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 6,871,118	\$ 5,544,008	\$ 4,435,855

Deferred Outflows (Inflows) of Resources

For the years ended June 30, 2022 and 2021, the District recognized pension expense of (\$14,136) and \$331,574, respectively.

At June 30, 2022, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 455,176	\$ -
Differences in actual and expected retirement plan experience	83,402	(6,608)
Net differences between projected and actual earnings on plan investments	360,938	(1,072,181)
Change in actuarial assumptions	268,004	-
Change in proportionate share of net pension liability and differences between actual contributions and the District's proportionate share of contributions	177,878	(20,478)
	<u>\$ 1,345,398</u>	<u>\$ (1,099,267)</u>

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

Deferred Outflows (Inflows) of Resources (continued)

At June 30, 2021, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 394,526	\$ -
Differences in actual and expected retirement plan experience	63,971	(20,964)
Net differences between projected and actual earnings on plan investments	407,808	-
Change in actuarial assumptions	6,792	-
Change in proportionate share of net pension liability and differences between actual contributions and the District's proportionate share of contributions	58,438	(30,800)
	\$ 931,535	\$ (51,764)

The District reported \$455,176 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the District's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2022. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2022 was 3.91 years for SCRS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2022	2023	\$ 35,161
2023	2024	33,059
2024	2025	(11,127)
2025	2026	(266,138)
		\$ (209,045)

The District's contributions to SCRS for the fiscal years ended June 30, 2022, 2021 and 2020 were \$455,176, \$394,526, and \$373,016, respectively.

Chester Metropolitan District
Notes to the Financial Statements

Note 7. Related Parties

The Chester Wastewater Recovery ("CWR"), an independent organization, and the District previously shared common facilities until 2016. Billing and collections are performed jointly by the organizations with separate accounting records maintained for each organization. The District bills the CWR for a portion of the salaries of employees who perform services for both organizations, any CWR expenses paid by the District, and any portion of expenses associated with shared space and equipment. Expense reimbursements for the years ended June 30, 2022 and 2021 totaled approximately \$273,000 and \$244,000, respectively. At June 30, 2022 and 2021 the District had no amounts due to or due from the Sewer District. Related party amounts are due upon invoicing and are therefore current assets and liabilities in the accompanying statements of net position.

Note 8. Risk Management

The District pays premiums to the South Carolina State Insurance Reserve Fund ("IRF"), which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities, and/or events:

1. Theft of, damage to, or destruction of the assets;
2. Building contents and equipment;
3. Motor vehicles;
4. Torts;
5. Errors and omissions;
6. Natural disasters;

Worker's compensation claims are handled by the South Carolina State Accident Fund, whom the District also pays premiums to.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property and equipment and auto liability. The IRF's rates are determined actuarially.

Note 9. Other Post-Employment Benefits

The District contributes to the premium cost of retiree group health insurance in the State's retiree insurance program. The South Carolina Public Employee Benefit Authority ("PEBA") is a State agency responsible for the administration and management of South Carolina's employee insurance programs. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB). For reporting purposes, this OPEB plan is a single-employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Chester Metropolitan District
Notes to the Financial Statements

Note 9. Other Post-Employment Benefits (continued)

Funding Policy

Insurance and Retirement

The District contributes the employer portion of the premium cost for coverage of eligible employees and covered dependents in the State of South Carolina's Employee Insurance Plan. The District also currently contributes an additional \$16.70 per month toward the employee's portion of the premiums. The employer and employee's contribution are set by PEBA and not by the District.

Full-time and part-time employees are required to enter into the State Retirement System as a condition of their employment. The employee will contribute a portion of his gross salary per pay period into retirement plan with the District contributing an additional amount. The employee and employer shares are set by PEBA and not the District.

Retiree Group Health Insurance

Effective July 1, 2015, the District began contributing to the premium cost of retiree group health insurance in the state's retiree insurance program as set forth below. This policy may be altered or eliminated at any time in the District's discretion on notice to participating retirees. Eligibility to participate in the state's retiree insurance program is required and is determined by the PEBA and not by this or any of the District's policies. Eligibility to retire under the rules of the state retirement plan is also required and is determined by PEBA retirement system. In accordance with District policy, "years of consecutive full-time service to the District" means years of service to the Chester Metropolitan District. At retirement, if an employee has reached at least 10 years of service with the District, the District will accept up to 5 years of full-time service with a PEBA (SCRS & Employee Insurance Program ("EIP")) participating employer to apply towards District funding guidelines. In order for the service to count, the employee must have participated in PEBA's retirement and insurance program in the previous public employment.

Employees and Former Employees Hired Before May 2, 2008

Funding – for the following employees or former employees who meet the age and service requirements below, the District will pay 100% of the premium for retiree coverage and will pay towards any dependent coverage the equivalent of the employer portion of the premium for active coverage. The retiree will be responsible for the remainder of the premium. The age and service requirements are as follows:

Chester Metropolitan District
Notes to the Financial Statements

Note 9. Other Post-Employment Benefits (continued)

- Current employees who at the time of retirement will be at least 60 years of age, or on PEBA-approved disability retirement, and have at least ten years of consecutive full-time service to the District.
- Employees with 25 years of service with the District, who retire before age 60, will be eligible for funded insurance premiums at the time they would have reached 28 years of service or reached 60 years of age, whichever occurs first.
- Current employees who at the time of retirement have at least 28 years of consecutive full-time service to the District.
- Employee’s last 5 years of service must have been served consecutively in a full-time, benefits eligible position with the District.
 - Non-Funded – for all other current and former employees, the retiree will be responsible for the entire premium cost.
- Employees and Former Employees Hired On or After May 2, 2008
 - Funded – for current employees who at the time of retirement will have 25 years of consecutive full-time service to the District, the District will pay 100% of the premium for retiree coverage and will pay towards any dependent coverage the equivalent of the employer portion of the premium for active coverage. The retiree will be responsible for the remainder of the premium.
 - Partially Funded – for current employees who at the time of retirement will have 15 years but fewer than 25 years of consecutive full-time service to the District, the District will pay towards the elected coverage the equivalent of 50% of the employer portion of the premium for active coverage. The retiree will be responsible for the remainder of the premium.
 - Non-Funded – for all current employees, the retiree will be responsible for the entire premium cost.

Membership

The following summarizes the data required regarding the membership used in the June 30, 2021 valuation of the Plan.

Inactive Employees or Beneficiaries Currently Receiving Benefits	9
Inactive Members Entitled To But Not Yet Receiving Benefits	0
Active Employees	48
Total Membership	57

Total OPEB Liability

The District’s total OPEB liability of \$5,691,064 was measured as of June 30, 2021, and was determined by an actuarial valuation of June 30, 2021.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Chester Metropolitan District
Notes to the Financial Statements

Note 9. Other Post-Employment Benefits (continued)

Inflation	2.25%
Real wage growth	0.75%
Wage inflation	3.00%
Salary increases, including wage inflation	3.00% - 9.50%
Municipal Bond Index Rate	
Prior Measurement Date	2.21%
Measurement Date	2.16%
Health Care Cost Trends	
Pre-Medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
Medicare	5.25% for 2021 decreasing to an ultimate rate of 4.50% by 2025

The discount rate used to measure the Total OPEB Liability (“TOL”) was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly. Mortality rates were based on the PUB 2010 Mortality Table for Employees with a 135% multiplier to better reflect the anticipated experience and provide margin for future improvements. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of the 2020 actuarial experience study adopted by SCRS and PORS. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were used in the June 30, 2021 valuation and were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability as of June 30, 2020	\$ 6,224,444
Changes for the year:	
Service cost	342,044
Interest	136,727
Difference between expected and actual experience	(685,999)
Changes of assumption or other inputs	(250,302)
Benefit payments and implicit subsidy credit	(75,850)
Net changes	\$ (533,380)
Total OPEB Liability as of June 30, 2021	\$ 5,691,064

The total OPEB liability is based on an actuarial valuation performed as of the valuation date of June 30, 2021. An expected total OPEB liability is determined as of June 30, 2021, the measurement date, using standard roll forward techniques. The roll forward calculation begins with the total OPEB liability as of the prior measurement date, June 30, 2020, subtracts the expected benefit payments for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the service cost).

Chester Metropolitan District
Notes to the Financial Statements

Note 9. Other Post-Employment Benefits (continued)

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. Recognition of deferred outflows/(inflows) of resources is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average remaining service life of the active and inactive Plan members at the beginning of the measurement period. The average remaining service life of active members is the average number of years the active members are expected to remain in covered employment. The average expected remaining service life of the inactive members is zero. The recognition period is the weighted average of these two amounts – not less than one year. The recognition period is 9.44 years.

There was a change in the total OPEB liability arising from the change in the discount rate from 2.21% on the prior measurement date to 2.16% on the measurement date. Therefore, the change in TOL resulting from the change in the Discount Rate is to be recognized in the OPEB Expense (OE), beginning in the current measurement period, over a closed period equal to 9.44 years, using the same approach applied to Plan experience as described in the prior paragraph.

Information regarding changes in benefit terms and changes to assumptions or other inputs should be noted. There were no changes to benefit items. The changes to assumptions or other inputs are as follows: changes in discount rate from 2.21% to 2.16% and changes in medical trend.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

Sensitivity of the Proportional Share of Total OPEB Liability to Changes in the Discount Rate			
	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
Total OPEB Liability	\$ 7,123,640	\$ 5,691,064	\$ 4,611,700

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Sensitivity of the Proportional Share of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates			
	1.00% Decrease	Current	1.00% Increase
Total OPEB Liability	\$ 4,474,234	\$ 5,691,064	\$ 7,391,481

Chester Metropolitan District
Notes to the Financial Statements

Note 9. Other Post-Employment Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of \$344,120. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after measurement date	\$ 411,432	\$ -
Differences between expected and actual experience	14,405	(800,706)
Change of assumptions or other inputs	1,263,959	(602,205)
Total	\$ 1,689,796	\$ (1,402,911)

Current year employer contributions of \$411,432 were recorded as deferred outflows for OPEB contributions subsequent to the measurement date at June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30,		
2022	\$	(35,736)
2023		(35,736)
2024		(35,736)
2025		(35,736)
2026		4,692
Thereafter		13,705
Total	\$	(124,547)

Note 10. Risks and Uncertainties

In March 2020, COVID-19 was recognized as a pandemic by the World Health Organization. The District's 2022 year end was subsequent to the initial impact of the pandemic, which continues to disrupt global markets. Since the District's 2022 year end, a conflict between Russia and Ukraine has further destabilized markets and routine supply-chain productions. As a result of the pandemic and the Russian-Ukraine conflict, the District may be impacted by significant volatility in markets, interest rates, and rising inflation. Sufficient information is not available to adequately evaluate the short-term or long-term impact to the District subsequent to year end; however, these continuing conditions may adversely impact the District's business operations and future financial condition. Management believes the District is taking appropriate actions to mitigate the negative impact of these continuing conditions.

Chester Metropolitan District
Notes to the Financial Statements

Note 11. Subsequent Events

The District has evaluated events and transactions occurring subsequent to the Statement of Net Position date of June 30, 2022, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 16, 2022, the date these financial statements were available to be issued, and there were no subsequent events that required disclosure in these financial statements.

Supplemental Information

Chester Metropolitan District
Schedule of the Chester Metropolitan District's
Changes in Total OPEB Liability and Related Ratios –
Other Postemployment Benefits
As of June 30, 2022
Last Five Fiscal Years

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost at end of year	\$ 342,044	\$ 217,799	\$ 195,273	\$ 209,557	\$ 243,506
Interest	136,727	155,098	164,154	149,685	131,786
Difference between expected and actual experience	(685,999)	4,253	(274,664)	9,920	11,859
Changes of assumptions or other inputs	(250,302)	1,452,618	174,581	(266,287)	(496,481)
Benefit payments and implicit subsidy credit	(75,850)	(72,780)	(66,577)	(65,048)	(63,684)
Net change in Total OPEB Liability	(533,380)	1,756,988	192,767	37,827	(173,014)
Total OPEB Liability – beginning	6,224,444	4,467,456	4,274,689	4,236,862	4,409,876
Total OPEB Liability – ending	<u>\$ 5,691,064</u>	<u>\$ 6,224,444</u>	<u>\$ 4,467,456</u>	<u>\$ 4,274,689</u>	<u>\$ 4,236,862</u>
Covered-employee payroll	\$ 2,506,390	\$ 2,128,323	\$ 2,128,323	\$ 1,884,585	\$ 1,884,585
Total OPEB Liability as a percentage of covered-employee payroll	227.06%	292.46%	209.90%	226.82%	224.82%

Note that 10 years of information are required for this schedule, but is not available. The above information was determined as of June 30th of the preceding year.

There was a change in the total OPEB liability arising from the change in the discount rate from 2.21% on the prior measurement date to 2.16% on the current year measurement date.

The covered-employee payroll amounts above were determined as of the June 30, 2021, 2019 and 2017 valuation dates.

See independent auditor's report.

Chester Metropolitan District
Schedule of the Chester Metropolitan District's
Proportionate Share of the Net Pension Liability –
South Carolina Retirement System
As of June 30, 2022
Last Eight Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
The District's proportion of the net pension liability	0.022625%	0.021697%	0.021881%	0.021605%	0.021170%	0.019573%	0.018110%	0.017663%
The District's proportionate share of the net pension liability	\$ 4,896,232	\$ 5,544,008	\$ 4,996,311	\$ 4,840,986	\$ 4,765,707	\$ 4,180,764	\$ 3,434,649	\$ 3,040,983
The District's covered employee payroll	\$ 2,535,514	\$ 2,397,275	\$ 2,290,247	\$ 2,219,403	\$ 2,090,303	\$ 1,892,812	\$ 1,696,450	\$ 1,603,547
The District's proportionate share of the net pension liability as percentage of covered-employee payroll	193.11%	231.26%	218.16%	218.12%	227.99%	220.88%	202.46%	189.64%
Plan fiduciary net position as a percentage of the total pension liability	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%

Note: The amounts presented above were determined as of June 30th of the preceding year.

See independent auditor's report.

Chester Metropolitan District
Schedule of the Chester Metropolitan District's Contributions –
South Carolina Retirement System
As of June 30, 2022
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 451,053	\$ 394,526	\$ 373,016	\$ 333,460	\$ 300,951
Contributions in relation to the contractually required contribution	451,053	394,526	373,016	333,460	300,951
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The District's covered payroll	\$ 2,723,750	\$ 2,535,514	\$ 2,397,275	\$ 2,290,247	\$ 2,219,403
Contributions as a percentage of covered payroll	16.56%	15.56%	15.56%	14.56%	13.56%
	2016	2016	2015	2014	2013
Contractually required contribution	\$ 241,639	\$ 209,345	\$ 184,913	\$ 169,976	\$ 163,791
Contributions in relation to the contractually required contribution	241,639	209,345	184,913	169,976	163,791
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The District's covered payroll	\$ 2,090,303	\$ 1,892,812	\$ 1,696,450	\$ 1,603,547	\$ 1,545,198
Contributions as a percentage of covered payroll	11.56%	11.06%	10.90%	10.60%	10.60%

See independent auditor's report.

Required Supplementary Information

Chester Metropolitan District
Supplemental Schedule of Certain Expenses - Budget and Actual
for the year ended June 30, 2022

	Budget	Actual	Variance (Favorable) Unfavorable
Administrative and general:			
Salaries	\$ 978,123	\$ 965,745	\$ (12,378)
Payroll taxes	73,727	72,083	(1,644)
Fringe benefits	433,881	387,401	(46,480)
Supplies	18,074	16,228	(1,846)
Postage	2,320	2,278	(42)
Uniforms and boots	3,324	2,150	(1,174)
Contract services	423,537	387,261	(36,276)
Advertising and promotion	26,700	7,610	(19,090)
Legal	39,800	24,719	(15,081)
Audit	26,200	29,608	3,408
Utilities and telephone	113,904	103,862	(10,042)
Insurance	84,000	80,727	(3,273)
Travel and fuel	6,900	3,200	(3,700)
Repairs and maintenance	4,400	2,162	(2,238)
Bad debts	-	18,310	18,310
Dues, education, and drug testing	101,401	57,659	(43,742)
Bank service charges	108,559	114,009	5,450
Employee Appreciation	16,502	16,237	(265)
Crisis Fund	2,500	-	(2,500)
Employee Assistance	14,000	62,731	48,731
Miscellaneous	2,640	(10,138)	(12,778)
Office furniture and equipment	362,125	1,767	(360,358)
Board expense	12,612	9,692	(2,920)
IT and Computer hardware	20,338	20,338	0
Contingency	48,000	26,585	(21,415)
Community Support	9,094	5,070	(4,024)
Pension Expense	-	(14,136)	(14,136)
OPEB Expense	-	344,120	344,120
	<u>\$ 2,932,661</u>	<u>\$ 2,737,278</u>	<u>\$ (195,383)</u>
Filter and sludge division:			
Salaries	\$ 906,537	\$ 769,995	\$ (136,542)
Payroll taxes	62,827	57,005	(5,822)
Fringe benefits	240,726	204,790	(35,936)
Supplies	77,920	59,921	(17,999)
Chemicals	317,888	311,134	(6,754)
Uniforms and boots	8,488	7,990	(498)
Contract services	31,100	11,825	(19,275)
Hauling and tipping	79,848	67,450	(12,398)
Utilities and telephone	202,380	171,780	(30,600)
Postage	642	730	88
Repairs and maintenance	181,684	169,740	(11,944)
Travel and fuel	3,852	5,384	1,532
Dues, education, and drug testing	15,340	9,387	(5,953)
Machinery and equipment	156,400	17,236	(139,164)
Computer hardware and software	1,973	-	(1,973)
Vehicles	34,569	-	(34,569)
Miscellaneous	3,601	3,410	(191)
Testing, fees and permits	27,064	27,943	879
	<u>\$ 2,352,839</u>	<u>\$ 1,895,720</u>	<u>\$ (457,119)</u>

See independent auditor's report.

Chester Metropolitan District
Supplemental Schedule of Certain Expenses - Budget and Actual (Continued)
for the year ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance (Favorable) <u>Unfavorable</u>
Distribution:			
Salaries	\$ 656,453	\$ 730,298	\$ 73,845
Payroll taxes	45,207	53,005	7,798
Fringe benefits	212,491	214,801	2,310
Supplies and materials	217,390	156,061	(61,329)
Uniforms and boots	11,365	12,064	699
Contract services	21,280	23,093	1,813
Utilities and telephone	14,740	13,799	(941)
Repairs and maintenance	105,131	97,695	(7,436)
Buildings	63,820	14,668	(49,152)
Vehicles	56,169	-	(56,169)
Travel and fuel	36,300	46,415	10,115
Dues, education and drug testing	7,600	3,836	(3,764)
Miscellaneous	300	195	(105)
Machinery and Equipment	106,845	24,358	(82,487)
Testing, fees and permits	4,000	1,420	(2,580)
	<u>\$ 1,559,091</u>	<u>\$ 1,391,708</u>	<u>\$ (167,383)</u>
Meters:			
Salaries	\$ 195,492	\$ 171,836	\$ (23,656)
Payroll taxes	11,982	10,757	(1,225)
Fringe benefits	51,352	44,228	(7,124)
Supplies and parts	234,025	63,691	(170,334)
Uniforms and boots	4,220	3,003	(1,217)
Utilities and telephone	7,648	6,452	(1,196)
Repairs and maintenance	47,604	42,048	(5,556)
Meters	173,800	141,068	(32,732)
Miscellaneous	500	178	(322)
Equipment	5,500	48	(5,452)
Travel and fuel	12,480	15,037	2,557
Dues, education and drug testing	5,340	3,246	(2,094)
	<u>\$ 749,943</u>	<u>\$ 501,592</u>	<u>\$ (248,351)</u>

See independent auditor's report.

Chester Metropolitan District
Supplemental Schedule of Certain Expenses - Budget and Actual (Continued)
for the year ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance (Favorable) <u>Unfavorable</u>
Engineering:			
Salaries	\$ 252,044	\$ 263,206	\$ 11,162
Payroll taxes	18,806	19,383	577
Fringe benefits	68,447	67,840	(607)
Uniforms and boots	2,202	1,517	(685)
Supplies	4,450	2,905	(1,545)
Contract services	13,370	11,278	(2,092)
Utilities and telephone	4,332	3,412	(920)
Repairs and maintenance	4,166	1,687	(2,479)
Miscellaneous	20,400	1,492	(18,908)
Equipment	2,850	238	(2,612)
Computer hardware and software	440	374	(66)
Travel and fuel	7,345	6,046	(1,299)
Dues, education and drug testing	4,625	3,866	(759)
	<u>\$ 403,477</u>	<u>\$ 383,244</u>	<u>\$ (20,233)</u>
Total for all Departments	<u>\$ 7,998,011</u>	<u>\$ 6,909,542</u>	<u>\$ (1,088,469)</u>

See independent auditor's report.